CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 25, 1998

H.R. 8
Border Smog Reduction Act of 1998

As ordered reported by the Senate Committee on Environment and Public Works on September 23, 1998

SUMMARY

H.R. 8 would deny regular entry into the United States to certain operators of noncommercial motor vehicles registered in a foreign country that do not comply with state laws regarding motor vehicle emissions. Under this act, such operators would have to document compliance with state inspection and maintenance requirements before entering border areas experiencing specified levels of ozone pollution. Federal enforcement would begin 180 days after enactment of the legislation unless the affected states elect to be exempt from the program. These prohibitions could apply to other border areas under certain terms and conditions. Violators of the act's provisions would be subject to a civil fine of up to $400. This legislation also would direct the General Accounting Office (GAO) to prepare a report on air quality issues related to the implementation of this bill and the North American Free Trade Agreement with Mexico.

CBO estimates that implementing this legislation would increase federal spending by about $1 million in fiscal year 1999 and about $1.5 million each year thereafter, assuming the appropriation of the necessary amounts. Annual costs could reach $3 million by 2000 if all eligible states participate in the program established by the act. This legislation could affect receipts, so pay-as-you-go procedures would apply, but any effects would be less than $500,000 a year.

H.R. 8 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The act would impose a private-sector mandate, as defined by UMRA, but CBO estimates that the cost of complying with such a mandate would not exceed the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation) in any one of the first five years that the mandate would be effective.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Implementing H.R. 8 would increase the workload of the Customs Service in any state that allows the border restrictions to apply. Assuming that the entry restrictions would go into effect in California, which seems likely, the service would have to check roughly 10,000 vehicles daily for compliance with California's inspection requirements. Customs would require additional resources to prevent increases in waiting times for vehicles crossing the border. We estimate that enacting H.R. 8 would cost about $700,000 in fiscal year 1999 and about $1.5 million annually thereafter for additional staff for the Customs Service, subject to the availability of appropriations. If the other eligible border states allow the act's restrictions to apply at their borders, the total cost to the service would reach $3 million annually, probably beginning in fiscal year 2000.

H.R. 8 would require GAO to prepare by July 1, 1999, a report assessing the potential impact of the bill's provisions on air quality. Based on information from the agency, CBO estimates that GAO would spend about $300,000 in fiscal year 1999 to conduct the study, assuming appropriation of the necessary amounts.

The act's provisions relating to new civil penalties could result in increased collections of civil fines. These fines are classified as revenues (governmental receipts), but CBO estimates that any such increase would be less than $500,000 annually.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Enacting H.R. 8 could increase receipts, but CBO estimates that any such increase would be less than $500,000 annually.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 8 contains no intergovernmental mandates as defined in UMRA because states would not be required to take any action as a result of this act's enactment. Any costs incurred by states, which are likely to be small, would result from their decision to allow the entry restriction in the act to apply at their border.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 8 would impose a private-sector mandate, as defined by UMRA, by preventing entry into the United States of certain foreign-registered vehicles in border areas that have the worst ozone pollution problems. The federal government would enforce this prohibition in any state that has requirements for inspection and maintenance of those vehicles as part of its state implementation plan under the Clean Air Act, unless the state opts out. In order to cross the border in those areas, drivers of those vehicles would have to prove to a federal border agent that their vehicle is in compliance with the state vehicle inspection law. States with less severe ozone pollution problems could request federal enforcement of the prohibition at their borders.

CBO assumes that San Diego, California, is the only ozone nonattainment area where federal enforcement would automatically go into effect. About 10,000 people commuting to work or school using the ports of entry between Mexico and San Diego could be subject to this federal mandate. Based on the number of vehicles affected and the likely costs of compliance, CBO estimates that the cost of complying with such a mandate would not exceed the statutory threshold established in UMRA ($100 million in 1996, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On July 17, 1998, CBO prepared a cost estimate for H.R. 8, as ordered reported by the House Committee on Commerce on June 24, 1998. The two versions of the legislation are identical, as are the two estimates.

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